

HB 11 SPONSORED BY REP. SESSO

Exhibit No. 1

TSEP presentation to the House Appropriations Committee

Date 8-1-09Bill No. HB 11

Mr. Chairman and members of committee, for the record my name is Jim Edgcomb, manager of the Treasure State Endowment Program. Speaking on behalf of the Department of Commerce we are asking that you support House Bill 11.

TSEP was created in 1992 with the support of two-thirds of Montana voters to help local governments solve serious public health and safety threats and make local public infrastructure improvements financially feasible and reasonably affordable.

The program has been an unqualified success. These TSEP grants are a vital source of funding for helping to make these infrastructure projects reasonably affordable. With only a few million dollars available each biennium from the Treasure State Endowment Fund during the earlier years of the program, almost \$19 million in interest earnings will be available this coming biennium to assist communities.

One of the major purposes of the program was to encourage communities to invest in their infrastructure by helping to make projects affordable for local residents. For all but the largest cities in Montana, TSEP is a crucial engine that is driving local infrastructure investment across Montana. For counties, smaller towns, and rural water and sewer districts, TSEP grants are critical to making infrastructure investments affordable. The cost of most of the proposed water and wastewater projects are typically well over a million dollars, and several of the proposed projects are more than four million dollars, which makes TSEP grants absolutely vital for making these public facility projects financially feasible, especially in the smaller communities.

Your award of TSEP funds is a sound long-term investment in Montana's economy. The total cost of the projects awarded by the 2007 Legislature was over \$137 million dollars and the total cost of the proposed projects before you is over \$176 million dollars. All of the TSEP grants that have been awarded in past legislatures have leveraged over \$350 million dollars in other federal, state, and local funds. As a result of your investment in the proposed projects,

the TSEP grants will help to leverage on average at least three dollars for every TSEP dollar awarded.

Your funding of these projects will also meet two major goals of The American Recovery and Reinvestment Act. These dollars will create many good paying construction jobs all over Montana, in addition to providing work for the engineers that design the projects and business for the firms that supply construction equipment and materials to build these projects. Those dollars will continue to flow through the State's economy providing other indirect employment. You are also reinvesting in Montana's infrastructure, which in many cases is in dire need of replacement or renovation. This investment is critical to ensuring that the infrastructure in these communities is ready to accommodate future economic development and private investment.

House Bill 11 accomplishes four things:

- ☐ It appropriates funds for grants to local governments for the construction of infrastructure projects funded by the Treasure State Endowment Program
- ☐ It appropriates \$900,000 to the Department of Commerce in order to award small matching grants to local governments, which are used by local governments to complete preliminary engineering studies that are needed in order to submit an application for a construction grant.
- ☐ It also appropriates \$100,000 to the Department of Commerce in order to award grants for emergency infrastructure projects. These funds typically fund a few emergencies that must be fixed immediately and cannot wait for the next legislative session.
- ☐ HB 11 also appropriates \$15 million to the Department of Natural Resources and Conservation to continue work on the regional water system projects authorized by the State.
- ☐ Finally, HB 11 amends Section 90-6-701 to clearly define that the interest earnings from the treasure state endowment fund can be used by the Department of Commerce for the administrative costs of operating the program.

- ☐ Looking specifically at the monies that are appropriated to local governments for the construction of infrastructure projects, HB 11 would be funded with \$17.8 million dollars in TSEP interest earnings, \$23 million dollars in general funds appropriated through HB 645, and a provision that allows the department to borrow up to \$7.2 million dollars from the Board of Investments if needed. These funds would:
 - ☐ Ensure the funding for the 56 projects that were awarded grants by the 2007 Legislature without the need for a large loan that was authorized by the 2007 Legislature. HB 512 is amended in order to add the funds appropriated in HB 645, and any funds not required for the 2007 projects are then authorized to be used to fund the new projects in HB 11. Two projects in HB 512 have been deleted since they re-applied to TSEP and will be funded through HB 11. The prior loan provision in HB 512 was removed.
 - ☐ The funds would also provide grants to all 65 of the applicants that applied for a TSEP construction grant in 2008.
 - ☐ The first 33 projects would be ensured funding as long as they meet their start-up conditions by December 30, 2012. A sufficient amount of funds will be held in reserve for those first 33 projects until that date.
 - ☐ The funding for projects 34 through 67 would be guaranteed funding through June 30, 2011. After that date, the funding for projects 34 through 67 would be on a first-come, first-served basis as long as the funds are still available.
 - ☐ To ensure that it is clear to you, funding for projects 38 and 39 are for the same project. Both the district and the county applied for separate grants to be used to help finance the \$9 million dollar project. If both grants are awarded, \$1.5 million dollars in TSEP funds would be provided to build a wastewater collection and treatment system in Seeley Lake.
 - ☐ A loan of \$7.2 million would only be needed if all of the projects authorized for funding meet their start-up conditions. Twelve of the projects in the amended HB 512 have not yet met their start-up conditions, which must be met by June 30,

2009 or the grant will be terminated. I think that there are at least a few of those projects that will not meet their start-up conditions in time, and those funds that are not obligated will reduce the need for a loan. Based on past history, some of the new projects authorized for funding will also not meet their start-up conditions in time, which will further reduce the need for a loan. The amount needed to guarantee funding for projects 34 through 67 will be determined at the end of the biennium, while the total loan amount needed will be determined December 30, 2012.

You have before you the Governor's budget book volume 4, which provides details about each of the projects that applied in 2008, and I will be available to answer any questions about these projects or other questions about the program. Again, I hope you will support House Bill 11.